Chapter 7
Trust in Electronic Commerce: Definitions, Sources, and Effects

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INTRODUCTION

In the past two decades, electronic commerce has been growing rapidly due to the increasing popularization of personal computers, expanding penetration of broadband, and continuing development of the Internet and World Wide Web. According to eMarketer (2009), an e-business and online market research company, the total U.S. e-commerce sales (excluding travel) will grow from $127.7 billion in 2007 to $182.5 billion in 2010. The firm also estimates that the number of online shoppers in the U.S. will increase from 131.1 million—nearly four-fifths of Internet users—by the year 2007, to 148.7 million by the year 2010. The growth of e-commerce relies not only on the great convenience of conducting transactions over the Internet but also on consumers’ willingness to trust an online merchant. This view is consistent with that advanced by Holsapple and Wu (2008): non-face-to-face, Internet-based transactions require an element of trust; in other words, trust is a foundation of e-commerce.

In general, trust is of great importance in the e-commerce context for the following reasons. First, consumers need to provide personal information for online transaction registration. Such personal information is subject to potential abuse; for example, the data might be used for marketing solicitations or shared with third parties. Thus, consumers worry about the misuse of personal information. Second, consumers usually need to provide bank account or credit card information to pay for online purchases. Therefore, they have concerns about bank account or credit card fraud. Third, online consumers are
likely to worry about product quality because they are not able to actually see and touch the products. Finally, online vendors often promise a delivery time and a full refund or replacement of the products returned. Hence, consumers may have concerns about promise-keeping. In short, all these worries and concerns call for trust in the online shopping context. Thus, understanding the concept of trust and the ways to foster the formation of it is critical for both e-commerce researchers and practitioners.

As a subject of research and practice, trust—while considered by many as a simple concept—is actually complex. That is, on the one hand, trust has different definitions in different disciplines. For example, philosopher Annette Baier (1986) argues that trust includes a perception of others’ trustworthiness and defines it as a kind of psychological state. However, in the discipline of sociology, trust is viewed as a driver of social efficiency and is defined as a belief (Kracher et al., 2005). On the other hand, trust can be of various kinds: knowledge-based, process-based, institution-based, and so forth. Different kinds of trust are usually based on different relationships and developed in different interaction stages (Holsapple and Wu 2007). In light of this complexity, we think that the concept of trust deserves more scholarly ‘respect’ and requires more discussion of its definitions and sources.

DEFINITIONS OF TRUST

As an important research topic, trust has been studied in a variety of fields, including philosophy, psychology, sociology, economics, management, communications, marketing, and information systems (IS). While researchers agree that trust is essential for many human activities, they usually investigate it from their own disciplinary perspectives and in their own theoretical contexts. Therefore, researchers in different disciplines define trust differently.

Focusing on understanding the meaning and kinds of trust, philosophers have studied trust at personal, organizational, and social levels. Although trust can be regarded as either a moral concept or not, in the field of philosophy it has been distinguished from other concepts such as confidence, reliance, agreement, and cooperation (Soloman & Flores, 2001). Baier (1986) argues that interpersonal trust requires good grounds for one’s confidence in another’s good will, or at least the absence of grounds for expecting another’s ill will. She conceptualizes trust as a three-way predicate among the trustor, the trustee, and the object that is entrusted. Based on this conceptualization, she views trust as to let trustees take care of something that the trustor cares about, while the trustor accepts vulnerability to the trustees’ possible but not expected ill will (or lack of good will) toward him/her. This view indicates that trust can be seen as a kind of psychological state.

In general, psychologists agree that trust is an important concept and very difficult to define. This is because it has multiple dimensions, varies from context to context, and applies to many types of relationships (Kracher et al., 2005). Unlike that in philosophy, the work in psychology on trust is simplistic and fragmented, and sometimes confuses it with other concepts such as faith, confidence, cooperation, competence, and benevolence (Lewicki & Bunker, 1996). Although there is no one definition of trust that every psychologist agrees upon, many employ the one by Rotter (1971); that is, trust is an expectancy held by individuals or groups that the word, promise, or verbal/written statement of another can be relied on. This definition focuses on verbal and written elements and emphasizes the role of communication in trust.

Sociologists study trust in the context of social relationships and assert that it plays a key role in modern society. They also claim that trust is a complex concept and difficult to define, because it can be viewed from a wide range of social angles and through many different cultural apertures. Like psychologists, sociologists are likely to confuse
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